



OPINION

Limit Risk Only

The various avenues of risk management were explored at the Ag Horizons Conference in Harrisburg last week. The day-long conference examined how changing government attitudes are affecting agriculture and how hedging, options, and the futures market can be tools to help farmers.

If these tools are to be of any value, farmers must calculate their costs. If you don't know your costs, including interest and depreciation, as well as input costs, you have no basis for locking in a profit with a futures or options contract.

Another warning should be given about the differences between hedging and speculating to farmers who are optimists by nature. If you are going to depend on the weather and other hazards to insure a crop and thus a profit in any given year, you naturally have faith that by fall, you will have a good crop. And you hope the price is good enough to bring in a profit.

Faith and hope are good qualities for the farmer. If you didn't have these qualities, you will never plant crops in the spring.

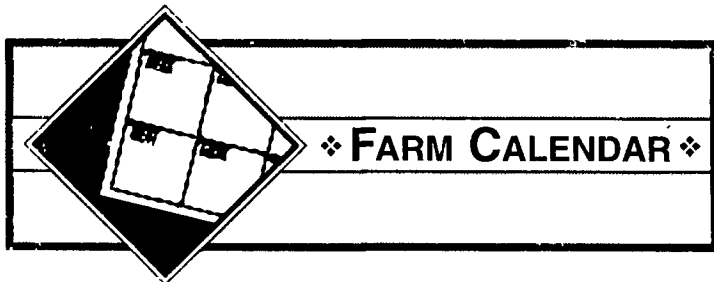
But faith and hope can also get farmers into trouble in the futures market. If you believe you will have a good, profitable crop in the fall, it is a very small step to begin to believe that you could add to your good fortune in the fall by buying additional crops on the futures market.

For example, if you have 100 acres of beans in the field that look quite promising, faith and hope may say to you, "Buy several contracts of beans on the futures market and add to your good fortune in the fall."

But now you have added 10,000 bushels of beans to your 100 acres of beans in the field. You not only become dependent on the weather and other hazards to get a good crop in the field, you have also exposed yourself to the potential wild fluctuations of prices in the bean futures market with corresponding margin calls and potential large losses. This takes farming to the most elevated point of risk possible.

So, use the futures markets and options only as risk management tools. Sell the crop you have in the field. Limit risk by locking in a profit for your crops when the market gives this profit to you. Most times this will be either before or after harvest.

Farmers don't need any more risks than they have in the day to day operation of their farms. Leave the speculative risks of the futures markets to the boys in Chicago.



❖ FARM CALENDAR ❖

Saturday, August 8

Hereford Junior Farm Fair, Hereford High School, Parkton.
Pa. Holstein South Central Championship Show, Shippenburg Fairgrounds, Shippenburg, 9:30 a.m.
Clinton County Fair, Mackeyville, thru Aug. 15.
Maryland State Picnic, Maryland Holstein Association, Coldsprings Farm.
Kids' Day On The Farm and Old-Time Plow Boys Plowing Show, Pa. German Heritage Center, Kutztown University, 10 a.m.-5 p.m.

Sunday, August 9

Pa. Hereford Association Field Day, Stone Ridge Manor, Gettysburg.
Garrett County Ag Fair, Garrett Highway, McHenry, thru Aug. 15.
Transfer Harvest Home Fair, Transfer, thru Aug. 15.
Bedford County Fair, Bedford, thru Aug. 15.
Greene County Fair, Waynesburg, thru Aug. 15.

Monday, August 10

Queen Anne's County Fair, 4-H Park, Centerville, thru Aug. 15.
Dairy-MAP, MAP On Tour, Brookside Dairy (George Family), Homer City, 11 a.m.-2:30

p.m.

Butler Farm Show, Butler, thru Aug. 15.
Sykesville Ag and Youth Fair, Sykesville, thru Aug. 15.
Venango County Fair, Franklin, thru Aug. 16.
Warren County Fair, Pittsfield, thru Aug. 15.
Montour-Delong Community Fair, Washingtonville, thru Aug. 15.
Tioga County Fair, Wellsboro, thru Aug. 15.
Dawson Grange Community Fair, Dawson, thru Aug. 15.
Sewickley Township Community Fair, West Newton, thru Aug. 15.
Kutztown Fair, Kutztown, thru Aug. 15.

Tuesday, August 11

Dairy Profit Seminars at Empire Farm Days, thru Aug. 13.
Empire Farm Days, Seneca Falls, N.Y., thru Aug. 13.
Elk County Fair, Kersey, thru Aug. 15.
EAYF Exotic Animal Farm Tour, Paul Zimmerman Farm, 7:30 p.m.
Grazing and pasture meeting, Forks Farm (John Hopkins and family), Orangeville, 7 p.m.-9 p.m.
Harrold Fair, Greensburg, thru



Now Is The Time

By John Schwartz

Lancaster County
Agricultural Agent

To Tell Ag Story

Recent report from the council for Agricultural Science and Technology (CAST) stated "The U.S. population is complacent with the quantity of their food supply, but less so with its quality. Having the best food supply in the world is not good enough; they worry increasingly about food safety and nutritional content as well as the water quality. They are environmentally minded but lack knowledge about agricultural production practices. They want some regulation in the food production/safety arena but also want some regulation in the food production/safety arena but also want to remain internationally competitive." Their image of modern agriculture comes from environmentalists, animal rights groups, vegetarians and governmental agencies. Individual farmers can not fight the battle alone. This is why farmers of each commodity need to unite to solve problems together and educate people on the increased awareness, concern and action farmers have taken on the environment, food safety and animal welfare.

To Look At Dairy Options

Options are the right to buy a futures contract. By purchasing

Aug. 15.

Pasture Walk, Steve and Ruth Ann Derrenbacher, Heirland Farm, Johnsville, 7 p.m.-9 p.m.
Cut Flower Short Course, Wye Research and Education Center, Queenstown, Md., thru Aug. 12.

Wednesday, August 12

Dauphin County 4-H Fair, Farm Show Complex, Harrisburg, thru Aug. 15.
Chester County 4-H Roundup Sale, Romano 4-H Center, Honey Brook, 4 p.m.
Lancaster County 4-H Swine Roundup, Manheim Farm Show Grounds, 7 p.m.
Healing Herbs Safety and Efficacy, Hunterdon County Extension Center, Flemington, N.J., 7 p.m.-9 p.m.
Middletown Grange Fair, Wrightstown, thru Aug. 16.
Cumberland Ag Expo, Newville, thru Aug. 16.
Rough and Tumble Engineers 50th Threshermen's Reunion Aug. 12-19, midway between Lancaster and Coatesville on Route 30.

Thursday, August 13

East-Central Classic Holstein Sale, Lycoming Fairgrounds, Hughesville, 7:30 p.m.
Lancaster County Sheep Roundup, Lampeter Fairgrounds.
Findlay Township Fair, Clinton, thru Aug. 15.

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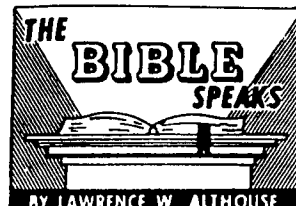
put options you are placing a minimum price you receive for milk. If the price goes up you still receive the higher price but if the price goes down you have locked in your price. Buying options is similar to insurance. The more price protection you buy, the higher the premium cost. You hope milk prices never drop, but if prices do drop drastically, then you are thankful you brought the protection. Now is the time to start studying options and how they may fit into your operation.

To Participate in USDA Dairy Options Program

USDA this fall will be conducting a Dairy Options Pilot Program (DOPP) in 7 states. Six counties have been selected in each state. Pennsylvania is one of the selected states with

Lancaster, Bradford, Franklin, Crawford, Berks and Chester counties being named pilot counties. Dairy farmers in these counties will soon be receiving a letter from the Federal Risk Management Agency announcing the DOPP. This is an educational program on the use of Basic Formula Price (BFP) option contracts as a means to establish a floor price for milk. The intent of this program is to encourage farmers to learn more about dairy options by actually using them. If you have any questions about this program, contact the county extension office in one of the pilot counties.

Feather Prof.'s Footnote: "The ultimate distinction of greatness is determined by the amount of excellence over and above the required."



BY LAWRENCE W. ALTHOUSE

THE REAL SLUGGARDS
August 9, 1998

Background Scripture:

Proverbs 6:6-8; 10:4-5; 13:4; 15:19; 18:9; 20:4; 24:30-34

Devotional Reading:

2 Thessalonians 3:16-23

My dictionary defines *slug-gard* as a person who is "habitually inactive or lazy."

I must say that I cannot recall encountering anyone who fits this definition. Of course, I have known some who are harder workers than others I have known some people who get lazy streaks from time to time, myself included. But I have never known anyone who is "habitually inactive or lazy."

This could simply be an accident of chance, geography or culture I grew up among the Pennsylvania Germans, a culture founded on industriousness and hard work. But I suspect that these two attributes are found that comprise the people of the USA. If we have bought into any value from our Christian heritage, it is the work ethic.

That does not mean that all of us work hard or that there are not sluggards among us. Nor does it mean that the work ethic is as highly prized and practiced as it once was. It is difficult to make accurate comparisons with now and then. Then, people worked longer and harder because they had to.

WORK & SLOTH

If we catalogue the teachings of Proverbs concerning work and sloth there is almost nothing in them that 99 percent of us would likely deny or reject.

- The preparedness of the ant is an example to the lazy person.

- Those who plow, plant and harvest when the season is right are prudent.

- People who are slack in their work are destructive to society.

- The path of the lazy person is filled with thorns.

- Diligence is rewarded.

- Laziness results in poverty.

I saved that one until last, because I believe there is more to poverty than laziness. Some people are poor because they are lazy. Yet, some of the hardest workers I have known were people who were still poor despite

their industry. For them, diligence was unrewarded. I also have known people who are quite affluent without being industrious. Some of them have never done a day's work. Others were good workers but unwise managers of money.

I have known people who know only how to work hard. They do not take time from their work to spend quality time with their families, help neighbors or be good citizens. There are people who are dedicated only to work and fail to take care of themselves physically, mentally and spiritually. Some people take pride in working themselves into bad health or even death.

SLOTH & POVERTY

Many today believe that people are poor because they are lazy. But if we all really believed in the sacredness and necessity of work, why would we fail to provide enough jobs that earn basic living for those who want to work? At the same time we are taking people off the welfare rolls, we are also cutting the number of jobs available. "Downsizing" gives the lie to what we say we believe. It is hypocritical to uphold the work ethic and then for the sake of a better profit take away that opportunity.

I see a lot of "HELP WANTED" signs around Dallas. But, when I have checked into these, I find few, if any, of them paying enough to feed, clothe and shelter the employee. The jobs available may be located too far away from the willing worker. In many cities there is inadequate public transportation or none at all. To operate a car to get to and from work—purchase, maintain, insure and run it—costs more than many employees can afford. Is it any wonder that people who face barriers such as these grow cynical and remain in poverty, often on welfare and/or into crime, living on the thinnest margin of life?

Maybe the real "sluggards" are those of us who believe in work but do not believe in it sufficiently to make our system work.

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